

Strong momentum

Securitas has the best offering of protective services in the security industry, and we are growing faster than the market. Our solid growth across all divisions in 2018 is proof not only of a strong portfolio of services but also that our clients value the work we do. Looking at our progress over the last five years, we are delivering on our Vision 2020 strategy to become a leader in protective services. Looking ahead, our strong guarding capability and presence, in combination with technology and data, creates leverage to drive innovation and the creation of intelligent security services.

THE POWER OF PRESENCE

2018 was my first year as President and CEO and I have spent considerable time with both our clients and our employees to gain a deeper understanding of Securitas' history, our present situation and the future. We have operations in 58 countries and 370 000 employees. With outstanding people across a vast footprint, our presence – together with our ability to combine different protective services into security solutions – creates a strong platform for future long-term growth.

During 2018, we initiated a strategy review to ensure that we deliver on our Vision 2020 goals, but also to start shaping the strategy beyond 2020. Looking back at the last five years, we have greatly strengthened our offering, adding a broad range of protective services, and we now have a significant electronic security and solutions capability. Looking forward to the next phase, our plan is to emphasize client centricity, how to continuously strengthen our core guarding services, and how we can lead the industry through innovation and enhanced knowledge in a more data-driven, intelligent security future. We are also emphasizing our purpose as a company and involved thousands of employees around the world to create engagement. We play an important role in society when it comes to providing security and safety, and this is a role that we are proud of.

The vision for beyond 2020 is to become the leader in intelligent security. With our outstanding people and strong protective services offering, we already have a solid presence and capability. The next phase is about increasing knowledge, and we will do this by using data and smart data processing to create client value in all our protective services. To realize this ambition, and to be able to scale up, we need to modernize our information systems and IT capabilities. With our strong presence and the large quantities of data available, we are best positioned to continue to lead the industry and create higher value for our clients and shareholders.

HEALTHY GROWTH IN 2018

We experienced strong market momentum in 2018, reaching organic sales growth of 6 percent (5). We achieved a sales milestone of more than SEK 100 billion and improved profitability, while at the same time we continued our investments in the security services of tomorrow. We continue to drive our strategy of combining different protective services into security solutions for our clients. Security solutions and electronic security sales grew by 21 percent compared with 2017 and represented 20

percent of total Group sales. The operating margin improved to 5.2 percent (5.1). We have loyal but demanding clients who believe in our direction, which is manifested in an excellent client retention rate. Our average client retention rate in 2018 was 91 percent.

Security Services North America delivered solid growth and profitability improvement. We enjoyed stronger growth in Security Services Europe compared with last year, but we were not satisfied with the operating margin in Europe and identified some improvement areas. We initiated a cost savings program that will contribute to the operating result of the business segment going forward. We experienced a favorable overall development in Security Services Ibero-America and continued strong growth in our AMEA (Africa, the Middle East and Asia) division.

Earnings per share improved by 12 percent, after adjustments for changes in exchange rates, items affecting comparability and the impact of the US tax reform.

During 2018, we continued our efforts and investments to strengthen our protective services offering. We completed several important electronic security acquisitions in the US, France, the Netherlands and Hong Kong, and are happy to welcome these teams to Securitas. Through these acquisitions, we have further strengthened our capability in electronic security across key markets.

INCREASED CLIENT FOCUS

We have approximately 150 000 clients globally, excluding monitoring-only clients. 140 of these are global clients with complex cross-border security solutions. Our strong, loyal client base gives us significant growth opportunities.

One of Securitas' key focus areas in the short term is client engagement. We work close to our clients and continuously develop both our services and client relationships. As a trusted security advisor, we are also specialized in the security challenges within different client segments, such as airport and port security, retail and data centers.

We are in a good position to leverage our global presence to offer attractive client value propositions. We should be the number one choice for multinational companies who want to engage with a quality provider with a global footprint.



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STRONG EMPHASIS ON ETHICS AND COMPLIANCE

We want to be a good company. Our owners, leaders and employees have built and developed the business over a long period of time, and we place a strong emphasis on conducting our operations in an ethical and compliant manner. As a signatory of the UN Global Compact, Securitas commits to its ten principles. Our core values together with our key policies, such as Securitas' Values and Ethics Code, provide guidance for our daily business and our way of working. All employees are trained in Securitas' Values and Ethics.

There is also a client perspective. We work with large and small clients, well-known global brands and local companies. More and more of our clients are discovering the importance of working with a compliant company with strong values, and we also aim to be the supplier of choice in this area.

ACCELERATING THE PACE OF CHANGE

Our market growth is generated by all of the outstanding people within Securitas who are delivering quality services and continuously developing the relationships with our clients. We have a strong foundation as a company, and I see very exciting opportunities ahead when it comes to driving the development towards intelligent security. We envision a future where we offer better security and safety to our clients through higher knowledge, enabled by a more innovation- and data-driven approach, which will allow us to better assess risk and to prevent crimes before they happen.

While we are driving these changes, it is important that we protect and develop our Securitas DNA, with a strong emphasis on our culture and values. These are focused around working close to our clients, and having a flat organization and sound business principles.

In 2018, we took important steps and initiatives to put Securitas in an even stronger position. We have established good momentum as a company and team, and are now accelerating the pace of change to lead the transformation of the global security services industry.

Magnus Ahlqvist
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